



June 27, 2006

# Tax Gap Report

The latest information on America's growing tax gap from U.S. Senator Max Baucus (D-Mont.), Ranking Member, U.S. Senate Finance Committee

## PAULSON PROMISES MORE TAX GAP ACTION IF CONFIRMED AS TREASURY SECRETARY

Henry W. "Hank" Paulson today committed to work to close the annual tax gap, if he's confirmed by the Senate to head the Treasury Department. At Paulson's confirmation hearing before the Senate Finance Committee, Baucus noted that little has been done by the current administration to close the \$345 billion gap between taxes legally owed and taxes collected in a timely fashion each year. Current Treasury Secretary John Snow has failed for months to provide to the Finance Committee a requested plan for closing the tax gap.



**"I urge you to vigorously go after the tax gap. Some say it's even more than \$350 billion,"** said Baucus.

**"As I went around to my various courtesy calls... [Senators] all emphasized the importance of closing the tax gap. I will be working very hard to do just that,"** Paulson responded.

In a June 13 hearing, IRS Commissioner Mark W. Everson committed to provide by October 1, 2006, a detailed plan to close the tax gap. Paulson did not commit to ensuring delivery of the report by that date, but said he would consult with Commissioner Everson upon his confirmation. The Committee intends to hold hearings this fall on the IRS plan. **To read Baucus's opening statement from today's hearing, visit <http://finance.senate.gov/sitepages/baucus.htm>.**

## AMENDMENTS WILL REQUIRE IRS REPORT, ADD FUNDS TO FIGHT TAX GAP

Senator Baucus announced his intention today to introduce two tax-gap-related amendments at Wednesday's planned Finance Committee markup of pending legislation. The amendments will aim to boost both IRS's commitment and ability to collect legally owed taxes.

The first amendment will require the Department of the Treasury to submit an annual report to both the Senate Finance and House Ways and Means committees on activities the Department is taking to close the tax gap. Every year, the report must:

- identify the primary causes of the tax gap
- detail Treasury and IRS actions to address components of the tax gap
- include recommendations for legislation

The second Baucus amendment will authorize \$730 million in funds for IRS enforcement, service and information technology efforts aimed at closing the tax gap. Funding for certain tax gap efforts has been repeatedly recommended by the IRS Oversight Board but not provided in the President's budget. Recommendations that would now be funded by the Baucus amendment include an additional \$27 million in funds and 86 new full-time employees to fight abusive tax schemes, corporate fraud, non-filers and money laundering, as well as \$34 million to restore reduced customer services that can help more Americans file their taxes properly.

The same amendment will also authorize \$49 million in addition to the current administration request to speed telephone excise tax refunds to many Americans. **Text of the Baucus amendments and a full list of cosponsors will be available Wednesday.**

*Every year, \$345 billion in legally owed taxes go uncollected in the U.S. Closing that "tax gap" will significantly strengthen America's economy. U.S. Senator Max Baucus (D-Mont.), Finance Committee Ranking Member, has spearheaded efforts to reduce factors contributing to America's growing tax gap.*